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USSR: Andropov's Statement on INF

The statement issued yesterday in the name of General Secretary Andropov adheres closely to the line of previous Soviet pronouncements in blaming the US and NATO for the breakoff of INF talks and in outlining Soviet countermeasures to new NATO INF deployments. []

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In response to the appearance of new US missiles in Europe, the statement announces that the USSR:

- Considers it "impossible to participate further" in INF talks.
- "Abrogates" the moratorium on new SS-20s in the western USSR.
- Will accelerate preparations to deploy "enhanced-range operational-tactical" missiles in East Germany and Czechoslovakia.
- Will deploy in "ocean regions and seas" weapons subjecting the US to a threat equal to the new threat to the USSR. []

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Comment: In contrast to Andropov's statement of 26 October, the pronouncement yesterday specifies that it is the INF talks that are being broken off. The language announcing the halt is more definitive than that used by the chief Soviet negotiator on Wednesday, but it notes that if the US and other NATO countries "display a readiness" to return to the situation existing before the start of deployment, the USSR will reciprocate. []

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The statement implies that the burden is on the US to establish the proper atmosphere for resuming negotiations on INF issues. It sets no specific conditions, however, and leaves the door open for future Soviet efforts to limit NATO INF deployments by diplomatic means. []

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The references to military countermeasures contain no surprises, although the statement goes further than previous official pronouncements in implying that submarine deployments will be used to subject the US to a threat analogous to that posed to the USSR by the new US missiles. []

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The issuance again of a statement bearing Andropov's name through the Soviet media indicates that the physical condition of the General Secretary continues to preclude his personal appearance. []

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NATO: Policy for Conference on Disarmament

The Allies are making slow but steady progress toward agreement on the package of confidence and security building measures they will propose in January at the Conference for Disarmament in Europe in Stockholm. [redacted]

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NATO representatives will meet on Monday and Tuesday to try to resolve differences on the measures, which were drafted by the US to serve as the basis of the Allied position at Stockholm. The package covers exchange of military information and notification and verification of military activities. [redacted]

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The Allies have not yet agreed on the definitions of key terms, on the creation of a consultative commission to discuss compliance issues, on notification requirements for transit forces, or on numerous lesser technical points. France opposes the idea of a multinational commission, and most Allies favor language on transits that could adversely affect US out-of-area activities. [redacted]

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Comment: With the probable exception of the transit issue, the Allies should be able to reach consensus on most of the confidence and security building measures by the opening of the conference.

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So far, coordination of Allied policy for the Disarmament Conference has been fairly good. At the recent preparatory meeting in Helsinki, the NATO caucus was able to agree on a timetable and on the agenda and procedures—despite the posturing of the head of the French delegation and Allied disagreement with the US position that nonparticipating Mediterranean states should not be given a voice at the conference, as Malta had demanded. Delegations representing the EC members met daily, but there was no evidence of unified EC positions on most issues in NATO caucus discussions. [redacted]

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The generally constructive character of Allied deliberations in Helsinki probably was aided by the USSR's decision to avoid polemics. Moscow, however, has indicated it will be vocal on INF and other arms control issues at Stockholm. [redacted]

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Some members of NATO, notably West Germany, may find some of the proposals of the Eastern and of the neutral and nonaligned states attractive. This would make it much more difficult for the Allies to maintain a consensus during the conference. [redacted]

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PHILIPPINES: Waiting for Financing

Manila is slowly lining up most of the credits it needs from foreign lenders for 1984, as negotiations to reschedule its debts are about to begin. []

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The government has announced agreement in principle with the IMF for a \$650 million standby program that will run through mid-1985. A letter of intent has not yet been signed, but the loan is to be disbursed in quarterly payments beginning early next year. []

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The IMF reportedly is requiring substantial reductions in the current account deficit, which could reach about \$3 billion this year, and in the public-sector budget deficit. The Fund will monitor the cash position of 13 major public-sector corporations each month to keep financing requirements manageable. []

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The government anticipates an informal commitment from commercial banks for \$1.6 billion in new loans when the 11-member bank advisory committee meets in New York next week. []

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Several of Manila's ASEAN partners are expected to provide \$60 million in currency swaps during the next 12 months. The US Embassy in Jakarta says that up to \$200 million worth of ASEAN currencies may be available and that only Singapore is balking at the scheme. []

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Comment: Manila presumably is concerned about the effects of austerity on economic activity in 1984, which the Fund is predicting will contract by 2 percentage points. It has little choice but to accept the Fund's conditions, however, in order to make new foreign credits possible. []

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The government almost certainly hopes that the IMF agreement will encourage the US to provide short-term credits to tide it over until IMF disbursements begin. Manila's most crucial challenge, however, will be to persuade the commercial banks to provide the required financing before the debt rescheduling negotiations are completed, possibly some time in February. []

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Israeli Refugee Camps



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ISRAEL: Plans To Rehabilitate Refugee Camps

The long-awaited Israeli plan to rehabilitate UN Relief and Works Agency refugee camps in the West Bank and Gaza Strip that was presented to the cabinet last Sunday probably will be approved, despite expected funding problems and Arab misgivings. []

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The head of the interministerial committee that drafted the plan says it would improve living conditions in the 28 camps housing some 290,000 refugees by reconstructing existing facilities and building new housing on state land adjoining the camps. Where state land is not available, Arab land would be seized from its owners. The rebuilt camps would be integrated into the existing regional infrastructure and given municipal status. []

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The committee head says all refugee relocations are to be voluntary, and rumors of planned forced resettlement of troublemaking refugees to camps near Jericho are untrue. The plan calls for razing the three nearly abandoned camps around Jericho.

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The entire program would cost between \$1.5 billion and \$2 billion over about five years. Funding will be sought from world Jewry, friendly governments, and nongovernmental organizations that support UNRWA. US support will be sought on grounds that the US is the main contributor to UNRWA and that the plan "is part of Camp David." []

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Comment: Experience since the early 1970s with a smaller resettlement program in the Gaza Strip indicates that Arab states and local Palestinians will be suspicious of the Israeli plan, although some camp residents will be attracted by the prospects of better housing. Arab press reports claim that creating open space in the camps is designed to make them easier to patrol. Moreover, despite Israeli assurances, some Palestinians are afraid of losing their refugee status and their UNRWA ration cards, and of forgoing their hopes to return to their original homes. []

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ITALY-LEBANON: Concern About MNF Contingent

The US Embassy in Rome reports that the meeting last week between President Mitterrand and Prime Minister Craxi revealed differences between Italian leaders over events in Lebanon. Craxi took a tolerant view of recent French air attacks in Lebanon, but Foreign Minister Andreotti criticized them. The French ordered the airstrikes without prior consultation with Rome. In addition, one official in the Italian Foreign Ministry reportedly said that Rome would pull its contingent out of Lebanon if it were attacked. [REDACTED]

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Comment: Recent French and Israeli attacks have heightened Italian concern that such actions could result in attacks on Italian troops. Craxi's government has a major political stake in maintaining a strong commitment to the Multinational Force. Nevertheless, if Italian forces suffer significant casualties, support for this position in the coalition could break down. [REDACTED]

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USSR-PLO: Little Support for Arafat

A TASS account of Foreign Minister Gromyko's talks on Tuesday in Moscow with PLO "Foreign Minister" Qaddumi suggests that the PLO would have greater cohesion and influence if it cooperated with Arab patriots, especially with Syria. The account reiterates earlier Soviet condemnations of the "unnatural fratricidal clashes" among Palestinians and insists Palestinian differences be overcome by political means. TASS made no reference to PLO chief Arafat, or to his leadership of the PLO. [REDACTED]

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Comment: The emphasis on cooperation with Syria suggests that the USSR will not intercede on Arafat's behalf with Damascus and that he has to make whatever accommodation he can with Syria and his Syrian-backed PLO rivals. The Soviets' public appeals for an end to the fighting to oust Arafat have been Moscow's only nod in his direction. [REDACTED]

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GREECE-TURKEY: Exercises in the Aegean

Greek and Turkish air and naval forces are conducting previously planned exercises in the Aegean through tomorrow. According to a source of the US defense attache in Ankara, the Turkish Air Force often violates Greek airspace in the Aegean to test Greek response and intends to do so during this exercise. The Greek press reports that the Navy and Air Force are on increased alert and that the Air Force will intercept any aircraft that violate Greek airspace. []

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Comment: Both countries held similar exercises at this time last year, and the Greeks accused the Turks then of numerous airspace violations. Because of the Cyprus situation, both Athens and Ankara will be careful to refrain from provocative actions. If Turkish aircraft violate Greek airspace, however, the initial Greek response will probably be diplomatic rather than military. Even so, the possibility of an accident or miscalculation is much greater than in the recent past.

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HONDURAS: Communist Party's Plans

[] members of the Honduran Communist Party recently discussed launching attacks against government and US targets to coincide with a Salvadoran guerrilla offensive next month or possible US intervention in Nicaragua. The Communists plan to coordinate their actions with other revolutionary groups in Honduras and in the region. According to the US defense attache, the Communists have acquired an unknown quantity of dynamite and are monitoring US activities. []

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Comment: The Honduran Communists generally have been unable to carry out major disruptive actions because of extensive government surveillance and because of their own disunity. The reported acquisition of dynamite, however, may allow them to conduct isolated attacks. The party's association with the Salvadorans may indicate an increased effort by the Salvadoran guerrillas to encourage outside groups to foment violence on their behalf. []

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EC-CYPRUS: Trade Measures Considered

EC Foreign Ministers on Tuesday reaffirmed their opposition to the recent Turkish Cypriot unilateral declaration of independence and asked the EC Commission to study possible trade sanctions. The Ministers discussed restricting imports of Turkish Cypriot goods and accelerating the formation of a customs union with the internationally recognized Government of Cyprus. Since 1973, Cyprus has enjoyed preferential trade status with the EC, and the Commission recently considered signing a new financial aid protocol with Cyprus worth \$37 million. []

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Comment: The Commission could deliver its proposals as early as the meeting of the EC Foreign Affairs Council next Monday and Tuesday, and some trade measures favoring the Government of Cyprus may be agreed to then. More forceful action could be taken at the EC Summit in Athens during 4-6 December. The Community, however, will try to adopt measures that do not imply a de facto recognition of a Turkish Cypriot state. []

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YUGOSLAVIA: Appeal for Financial Aid

The Yugoslavs, in a meeting last week with major Western government creditors, requested \$500 million in new funds and an equal amount for debt relief in 1984. The participants tentatively agreed to begin two discussions in January. One group, headed by the French, will handle debt refinancing. The second, chaired by the IMF, will deal with Yugoslavia's more general economic difficulties. []

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Comment: The tentative format accommodates Yugoslavia's desire to avoid a formal meeting of the Paris Club, but official creditors are likely to follow Club guidelines for conventional debt rescheduling. The governments are unwilling to repeat the special financial rescue package for this year, and Belgrade's request for new funds seems certain to meet stiff resistance from some governments. []

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Special Analysis**GUATEMALA: Mejia's Problems Increasing**

Chief of State Mejia apparently retains the support of the military, but political party leaders are criticizing the increase in insurgent terrorism and in abuses by security forces and civilian paramilitary groups. The violence also has embroiled Mejia in a public clash with the Catholic Church, and is magnifying Guatemala's poor human rights image abroad. In addition, Mejia's vacillation on economic policy decisions is creating more uncertainty among investors and businessmen. Mejia has yet to address these issues firmly and, unless he begins to do so soon, his prospects for survival may decline substantially.

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Mejia's recent personnel changes in the armed forces have been widely supported, primarily because they have helped restore the traditional military chain of command and have reinforced the importance of military rank. Moreover, a majority of senior commanders back Mejia's initiatives to improve relations with Washington and to reactivate the Central America Defense Council.

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Some commanders, however, probably are upset by Mejia's failure to obtain US military assistance. They also are likely to blame him for the recent cut in US economic aid. On the other hand, the Chief of State's reported decision to purchase \$2 million worth of helicopter spare parts and other equipment from the US will help ease the Army's concern about its mobility problems.

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Balance Threatens Political Initiatives

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Political violence directed against centrist and leftist parties by rightist extremists is increasing, however, and could jeopardize the electoral process. Christian Democratic leaders have accused rightwing elements and government security officials of murdering three party members last month, and at least six party organizers from new leftist political groups have been kidnaped recently. One party leader told US Embassy officials that the ultrarightist National Liberation Movement may be responsible.

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The intimidation of moderate and leftist parties in rural areas is likely to increase as elections approach, and it could jeopardize the participation of some groups. If Mejia makes no effort to control the violence, the field may be restricted to mostly rightwing parties. The military might then be tempted to intervene, because some officers support honest and representative elections and would be opposed to a victory by the National Liberation Movement. [REDACTED]

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The insurgents also are interested in hindering participation by moderate and leftist groups in the elections because this would help legitimize the process. They have increased their level of urban terrorism, [REDACTED]

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[REDACTED] The guerrillas are unlikely to make major gains anytime soon, but a substantial increase in rural violence could stall progress toward elections. [REDACTED]

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The Catholic Church has increased its denunciations of the violence following the murder of a priest, who was killed after Mejia publicly accused some in the clergy of supporting the insurgents. Although responsibility for the murder has not been established, church officials and the media are blaming the government. A major dispute between Mejia and the church over the incident is likely to turn popular opinion against him. [REDACTED]

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The government's credibility at home and abroad has been further damaged by its claim that the three Guatemalan employees of the US Agency for International Development who were kidnaped last month died in an automobile crash. The US Ambassador believes the government is covering up its culpability for the killings, and he reports that neither the Guatemalan media nor the diplomatic corps accept the official version. According to the US Embassy, another Guatemalan employee of the agency was abducted last week. [REDACTED]

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Economic Problems

Mejia's indecision on economic policy and rumors of a currency devaluation, combined with the rising violence, have worsened the investment climate and heightened the business sector's concern that the government has no coherent economic plan. Although a devaluation appears unlikely, Mejia's reduction of a new value-added tax is causing a revenue shortfall that may jeopardize the recent \$120 million agreement with the IMF. [REDACTED]

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The Fund reportedly will disburse \$37 million before reviewing Guatemala's situation next spring. To meet IMF performance targets, however, Mejia eventually may be forced to raise taxes in the face of opposition from the business community and political parties. [REDACTED]

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The dismissal of several economic cabinet members has made it more difficult for Mejia to set a clear course on economic policy. The government now believes that reducing the value-added tax was a mistake, [REDACTED]

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Outlook

If Mejia is to stem the growing civilian opposition and concern about his ability to govern, he will have to curb the violence and make progress toward economic recovery. At the same time, he will have to sustain movement toward elections. [REDACTED]

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The Chief of State's military support probably assures his durability in the short term, but he lacks a strong constituency in the armed forces committed to his continuance in power. Unless Mejia begins soon to deal more effectively with the country's problems, the military will be under increasing pressure to replace him. (S NF)

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